

**MINUTES**  
**GAMING ADVISORY COUNCIL**

*September 23, 2005*  
*Gambling Control Division*  
*Helena, Montana*

Please note: This is a summary of the Council meeting. The meeting in its entirety is on tape at the Gambling Control Division office at 2550 Prospect Avenue, Helena, Montana. Exhibits are on file in the office of the Gambling Control Division.

**COUNCIL MEMBERS PRESENT**

Sen. Joe Tropila  
Bill Thomas  
Pam Kennedy  
Steve Morris

John Tooke, Vice-Chairman  
Kevin Howlett  
Rep. John Witt  
Tim Carson

**DIVISION STAFF PRESENT**

Gene Huntington  
Cregg Coughlin  
Kathy Baertsch  
Al Arvish

Ben Kamerzel  
Rick Ask  
Kathy Fisher

**SUMMARY OF COUNCIL ACTION**

- ♠ A motion passed unanimously requesting the Division to change 23.16.1822(8) from 30 days to 45 days.
- ♣ A sub-committee was appointed to deal with changes to poker laws.
- ♥ The Council voted 7-1 to approve the increase in lab test fees.
- ♦ The Council tentatively set the next meeting in Billings in December or January.

**CALL TO ORDER AND ROLL CALL**

Chairman Witt called the meeting to order at 8:32 a.m. All members were present except for Nick Murnion, who was excused. The minutes from the May 13, 2005 meeting were adopted unanimously. The Attorney General was scheduled to speak but was unable to attend.

## **NEW RULES SUB-COMMITTEE REPORT**

Gene Huntington reported on the two major issues addressed by the Sub-Committee: the definition of a win and how the new law would be implemented in terms of games that have been approved but would not be approved under the new law. Mr. Huntington explained that no one wanted to make people replace "old" software, but new software would need to comply with the rules. Rich Miller, stated that the industry is very pleased with the implementation of this law.

### **PROPOSED RULES**

#### **Credit Card/Credit Gambling**

Mr. Huntington discussed the proposed rules and suggested that just debit cards should be allowed instead of credit cards. Mr. Tooke explained that he has gone to a check authorization machine and that way there is no float on checks. Mr. Huntington was concerned that this could turn into a debt that a collection agency could pursue. Mr. Tooke stated he would look at his merchant's agreement. Ronda Carpenter, MCMOA, stated that banks want to go to an instant check process – the money is instantly taken out of the account. The machine will spit the check out if there is no money in the account. Mr. Huntington suggested that the Division contact some of these companies and have them make a presentation to the Council.

Rich Miller, GIA, discussed how the current statutes came about. He explained that not all checks cashed at bars are for gambling, some small towns have no bank and customers cash checks to get cash; some towns out in the country have little technology. Mr. Howlett agreed that business is conducted differently in small towns and suggested that the Council proceed cautiously with this.

Tim Carson suggested that with the turnover in licenses the Division should send out an informational brochure. Mr. Huntington stated that the Division would look at the new technology and report to the Council at the next meeting and then get the information out to the public.

Cort Jensen, Assistant Attorney General, Consumer Affairs, made a brief presentation on issues related to credit cards.

#### **Lab Test Fees**

Mr. Huntington explained that the proposed testing fee increase from \$75 to \$105 will make the fee more comparable to the fees other states charge and the Division will recapture more totally the cost of what it actually costs for the testing. Mr. Howlett stated that he would not support the fee increase without a good reason. Rep. Witt wanted to know the actual cost of the testing. Mr. Carson stated that the industry supports the fee increase and that they see the need for more resources to improve the turnaround time.

Mr. Kamerzel stated that the turnaround on submissions is dependent on what is received from the manufacturer, whether it is new technology and if the submission is complete. Turn around times can vary from 60-90 days. Lon Huckert, IGT, stated that he agreed with Mr. Carson, an increase in turnaround time would be nice, but the manufacturers are used to paying higher testing fees in other jurisdictions. Rich Miller stated that perhaps the Division should think about jobbing some things out to a private lab.

Ms. Kennedy stated that if the increase is just going to meet current costs, perhaps the fees need to be higher than proposed. Ms. Kennedy believes that if the manufacturers want the timeliness issue dealt with then the Division is either going to have to sub out some of that work or hire additional staff and that means that that fee should go up even higher. Mr. Huntington stated that the increase will get the Division closer to the full cost of testing.

Mr. Kamerzel explained that he researched what other labs across the region are charging, both private and state labs. Mr. Kamerzel explained that the legislation did not authorize the state to sub out testing to other labs, it just authorized other testing labs to operate in the state. The fee is based on the actual cost that the State incurs for testing, it's wages, rent, utilities, and buying test equipment. The State is not "making" \$30,000, it is just trying to get to a break-even point. In Mr. Kamerzel's opinion, it is more efficient to keep the testing in one place.

Mr. Carson moved that the Council approve the \$30 testing fee increase and the Division give the Council a review of the lab costs. Ms. Kennedy moved to table the motion. The motion to table failed. The motion to approve the \$30 testing fee passed 7-1 with Mr. Howlett in opposition.

### **Changes to Liquor/Gambling Application**

Mr. Huntington explained that the proposed changes provide for changes made by the legislature and general updating of the form. The form will provide a box to indicate that the proposed location will be a smoking or nonsmoking location. Just for record keeping purposes, the Division's database will track which locations are smoking and which are non-smoking. Mr. Staples stated that he believes there are compliance issues and that he wants the law to be reasonably implemented and enforced.

### **Letters of Withdrawal**

Mr. Huntington explained that this rule change is to provide consistency and clarity in rules affecting Letters of Withdrawal for video gambling machines. Ronda Carpenter-Wiggers stated that a 60 day time limit for machine repairs would be more feasible. Mr. Carson moved that the Division change 23.16.1822(8) from 30 days to 45 days. The motion passed unanimously.

## **DEPARTMENT OF REVENUE REPORT**

Neil Peterson, Administrator, Department of Revenue, Customer Service Center, gave a brief report on out-of-state ownership of on-premises licenses. Mr. Peterson stated that due to recent Supreme Court decisions, it was evident that Montana's residency statute was unconstitutional. To date, there have been 10 applications with non-resident owners, and they can only own one all-beverage license; this stops chain restaurants from coming into the state. Mr. Peterson stated that there is a concern about the availability of licenses for restaurants and the legislators seem to want to work to increase the number of licenses available for restaurants or create an all-beverage license for restaurants that does not include gaming.

## **PRESENTATION – DEVELOPMENT OF NEW DATABASE**

Al Arvish gave a presentation on the new database. Mr. Carson requested a list of accomplishments and the schedule and scope for the project. The database will likely be developed as part of phase III of the IRIS system of the Department of Revenue. Mr. Arvish explained that the project charter is in draft stage. The Division has been meeting with route operators and individual operators and plans to keep them involved as the project progresses.

## **POKER CHANGES**

Mr. Huntington explained that the Division needs to change the process to deal with temporary dealer licenses. Mr. Carson stated that the requirements should be more stringent. Mr. Huntington explained that this law is in statute and would need to be addressed in the next legislative session. Mr. Carson requested that the Division research the additional equipment and manpower needed for option 3 – having the licenses obtained at GCD offices. Mr. Morris was in favor of eliminating the temporary licenses since there are no other temporary licenses for gambling. Rich Miller suggested a 30 day license that would expire at the end of that time. Mr. Tooke suggested that poker laws may need to be adjusted to compensate operators for losses related to new smoking regulations. Mr. Staples explained that the MTA sub-committee will give the Division recommendations on this matter. Ms. Kennedy suggested that it could all be done at the Drivers License Station, they could turn in the money and application at the time the picture is taken. Mr. Tooke's motion to appoint a sub-committee to deal with poker licensing passed unanimously. Chairman Witt appointed Sen. Tropila as chairman of the committee with John Tooke, Bill Thomas and Rep. Witt as an ad hoc member.

## **ADMINISTRATOR'S REPORT**

Mr. Huntington explained that the Governor's office now has initiated compact negotiations with the Fort Peck, Rocky Boy and Northern Cheyenne Tribes. The Governor's office has an attorney, Deanne Sandholm, leading the state's negotiation team.

## **FUTURE ISSUES AND TOPICS**

### **Licensing of Accounting System Vendors**

Mr. Carson explained that there are two tiers – the first phase is web-based and the second is intelligent communication. There is a need to make sure that vendors are legitimate and a process needs to be in place to make sure there are no holes in the system and there needs to be real time accounting and ticket fraud needs to be stopped.

### **Video Gambling Machine Presentation of Paytables**

Mr. Carson believes that the proposed video gambling machine video presentation of a pay table percentages that is variable based on the bet a manufacturer wants to display on machines will be misleading to players and asked if what is being shown to the players is 100% accurate. Gene Huntington suggested that a paper should be prepared on this issue before the next Gaming Advisory Council meeting.

## **FINAL BUSINESS**

Mr. Howlett announced that he is resigning from the Council as of September 30, 2005. Council members expressed their appreciation for Kevin's service on the Council.

The meeting adjourned at 1:30 p.m. The next meeting will tentatively be held in December or January in Billings.